

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-01723A
Rincon Water Company
HC #70 Box 3601
Sahuarita, AZ 85629

RECEIVED

NOV 13 2006

Z Corporation Commissic
Director of Utilities

ANNUAL REPORT

FOR YEAR ENDING

| | | |
|-----------|-----------|-------------|
| 12 | 31 | 2005 |
|-----------|-----------|-------------|

FOR COMMISSION USE

| | |
|--------------|-----------|
| ANN04 | 05 |
|--------------|-----------|

COMPANY INFORMATION

Company Name (Business Name) Rincon Water Company

Mailing Address HC #70 Box 3601

(Street)

Sahuarita

(City)

AZ

(State)

85629

(Zip)

(520) 625-1671

Telephone No. (Include Area Code)

(520) 625-1922

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address N/A

Local Office Mailing Address Same as above

(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Karen Hartwell President

(Name)

(Title)

HC #70 Box 3601

(Street)

Sahuarita

(City)

AZ

(State)

85629

(Zip)

(520) 625-1671

Telephone No. (Include Area Code)

(520) 625-1922

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address N/A

On Site Manager: Same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

See accountants' compilation report.

Statutory Agent: Michael R. Urman

(Name)

2525 E. Broadway Blvd. #200 Tucson AZ 85716

(Street)

(City)

(State)

(Zip)

(520) 322-5000 N/A N/A

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: Same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input checked="" type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) <u></u> | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|--|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input checked="" type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

UTILITY PLANT IN SERVICE

| Acct. No. | DESCRIPTION | Original Cost (OC) | Accumulated Depreciation (AD) | O.C.L.D. (OC less AD) |
|----------------------|---|-------------------------------|--|----------------------------------|
| 301 | Organization | N/A | N/A | N/A |
| 302 | Franchises | 1,549 | N/A | 1,549 |
| 303 | Land and Land Rights | 141,718 | N/A | 141,718 |
| 304 | Structures and Improvements | 74,437 | 32,094 | 42,343 |
| 307 | Wells and Springs | 30,316 | 30,316 | 0 |
| 311 | Pumping Equipment | 24,992 | 23,229 | 1,763 |
| 320 | Water Treatment Equipment | N/A | -60,548 | 60,548 |
| 330 | Distribution Reservoirs and Standpipes | 184,730 | 97,395 | 87,335 |
| 331 | Transmission and Distribution Mains | 852,120 | 263,813 | 588,307 |
| 333 | Services | 31,138 | 9,223 | 21,915 |
| 334 | Meters and Meter Installations | 10,648 | 5,659 | 4,989 |
| 335 | Hydrants | N/A | N/A | N/A |
| 336 | Backflow Prevention Devices | N/A | N/A | N/A |
| 339 | Other Plant and Misc. Equipment | N/A | N/A | N/A |
| 340 | Office Furniture and Equipment | N/A | N/A | N/A |
| 341 | Transportation Equipment | 1,500 | 488 | 1,012 |
| 343 | Tools, Shop and Garage Equipment | 2,216 | 831 | 1,385 |
| 344 | Laboratory Equipment | N/A | N/A | N/A |
| 345 | Power Operated Equipment | N/A | N/A | N/A |
| 346 | Communication Equipment | 8,833 | 2,871 | 5,962 |
| 347 | Miscellaneous Equipment | N/A | N/A | N/A |
| 348 | Other Tangible Plant | N/A | N/A | N/A |
| | TOTALS | 1,364,197 | 405,371 | 958,826 |

This amount goes on the Balance Sheet Acct. No. 108

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

| Acct. No. | DESCRIPTION | Original Cost (1) | Depreciation Percentage (2) | Depreciation Expense (1x2) |
|----------------------|--|------------------------------|--|---|
| 301 | Organization | N/A | N/A | N/A |
| 302 | Franchises | 1,549 | N/A | N/A |
| 303 | Land and Land Rights | 141,718 | N/A | N/A |
| 304 | Structures and Improvements | 74,437 | 5% | 3,721 |
| 307 | Wells and Springs | 30,316 | 5% (Limited) | 0 |
| 311 | Pumping Equipment | 24,992 | 5% | 1,250 |
| 320 | Water Treatment Equipment | N/A | N/A | N/A |
| 330 | Distribution Reservoirs and Standpipes | 184,730 | 5% | 9,237 |
| 331 | Transmission and Distribution Mains | 852,120 | 5% | 42,606 |
| 333 | Services | 31,138 | 5% | 1,557 |
| 334 | Meters and Meter Installations | 10,648 | 5% | 532 |
| 335 | Hydrants | N/A | N/A | N/A |
| 336 | Backflow Prevention Devices | N/A | N/A | N/A |
| 339 | Other Plant and Misc. Equipment | N/A | N/A | N/A |
| 340 | Office Furniture and Equipment | N/A | N/A | N/A |
| 341 | Transportation Equipment | 1,500 | 5% | 75 |
| 343 | Tools, Shop and Garage Equipment | 2,216 | 5% | 111 |
| 344 | Laboratory Equipment | N/A | N/A | N/A |
| 345 | Power Operated Equipment | N/A | N/A | N/A |
| 346 | Communication Equipment | 8,833 | 5% | 441 |
| 347 | Miscellaneous Equipment | N/A | N/A | N/A |
| 348 | Other Tangible Plant | N/A | N/A | N/A |
| | TOTALS | 1,364,197 | | 59,530 |

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

BALANCE SHEET

| Acct No. | | BALANCE AT BEGINNING OF YEAR | BALANCE AT END OF YEAR |
|-------------|---|------------------------------------|------------------------------|
| | ASSETS | | |
| | CURRENT AND ACCRUED ASSETS | | |
| 131 | Cash | \$7,596 | \$2,199 |
| 134 | Working Funds | N/A | N/A |
| 135 | Temporary Cash Investments | 91,646 | 94,212 |
| 141 | Customer Accounts Receivable | 2,510 | 3,618 |
| 146 | Notes/Receivables from Associated Companies | N/A | N/A |
| 151 | Plant Material and Supplies | N/A | N/A |
| 162 | Prepayments | N/A | N/A |
| 174 | Miscellaneous Current and Accrued Assets | N/A | N/A |
| | TOTAL CURRENT AND ACCRUED ASSETS | \$101,752 | \$100,029 |
| | FIXED ASSETS | | |
| 101 | Utility Plant in Service | \$1,363,380 | \$1,364,197 |
| 103 | Property Held for Future Use | N/A | N/A |
| 105 | Construction Work in Progress | 30,000 | 30,000 |
| 108 | Accumulated Depreciation – Utility Plant | -345,840 | -405,371 |
| 121 | Non-Utility Property | N/A | N/A |
| 122 | Accumulated Depreciation – Non Utility | N/A | N/A |
| | TOTAL FIXED ASSETS | \$1,047,540 | \$988,826 |
| | TOTAL ASSETS | \$1,149,292 | \$1,088,855 |

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

| Acct. No. | | BALANCE AT BEGINNING OF YEAR | BALANCE AT END OF YEAR |
|--------------|---|------------------------------------|------------------------------|
| | LIABILITIES | | |
| | CURRENT LIABILITES | | |
| 231 | Accounts Payable | \$15,613 | \$3,139 |
| 232 | Notes Payable (Current Portion) | N/A | N/A |
| 234 | Notes/Accounts Payable to Associated Companies | N/A | N/A |
| 235 | Customer Deposits | 4,128 | 9,456 |
| 236 | Accrued Taxes | 187 | 202 |
| 237 | Accrued Interest | N/A | N/A |
| 241 | Miscellaneous Current and Accrued Liabilities | 121,436 | 115,771 |
| | TOTAL CURRENT LIABILITIES | \$141,364 | \$128,568 |
| | LONG-TERM DEBT (Over 12 Months) | | |
| 224 | Long-Term Notes and Bonds | \$ N/A | \$ N/A |
| | DEFERRED CREDITS | | |
| 251 | Unamortized Premium on Debt | \$ N/A | \$ N/A |
| 252 | Advances in Aid of Construction | 816,062 | 814,838 |
| 255 | Accumulated Deferred Investment Tax Credits | N/A | N/A |
| 271 | Contributions in Aid of Construction | 141,875 | 141,875 |
| 272 | Less: Amortization of Contributions | N/A | N/A |
| 281 | Accumulated Deferred Income Tax | N/A | N/A |
| | TOTAL DEFERRED CREDITS | \$957,937 | \$956,713 |
| | TOTAL LIABILITIES | \$1,099,301 | \$1,085,281 |
| | CAPITAL ACCOUNTS | | |
| 201 | Common Stock Issued | \$588,857 | \$588,857 |
| 211 | Paid in Capital in Excess of Par Value | 141,073 | 141,073 |
| 215 | Retained Earnings | -679,939 | -726,356 |
| 218 | Proprietary Capital (Sole Props and Partnerships) | N/A | N/A |
| | TOTAL CAPITAL | \$49,991 | \$3,574 |
| | TOTAL LIABILITIES AND CAPITAL | \$1,149,292 | \$1,088,855 |

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

| Acct. No. | OPERATING REVENUES | PRIOR YEAR | CURRENT YEAR |
|-----------|---|------------------|------------------|
| 461 | Metered Water Revenue | \$33,210 | \$36,826 |
| 460 | Unmetered Water Revenue | N/A | N/A |
| 474 | Other Water Revenues | N/A | N/A |
| | TOTAL REVENUES | \$33,210 | \$36,826 |
| | | | |
| | OPERATING EXPENSES | | |
| 601 | Salaries and Wages | \$ N/A | \$ N/A |
| 610 | Purchased Water | N/A | N/A |
| 615 | Purchased Power | 1,922 | 2,424 |
| 618 | Chemicals | N/A | N/A |
| 620 | Repairs and Maintenance | 9,944 | 9,373 |
| 621 | Office Supplies and Expense | 1,174 | 250 |
| 630 | Outside Services | 9,107 | 8,246 |
| 635 | Water Testing | 961 | 898 |
| 641 | Rents | N/A | N/A |
| 650 | Transportation Expenses | N/A | N/A |
| 657 | Insurance – General Liability | 9,171 | 8,779 |
| 659 | Insurance - Health and Life | 1,249 | 1,095 |
| 666 | Regulatory Commission Expense – Rate Case | 45 | 45 |
| 675 | Miscellaneous Expense | 699 | 371 |
| 403 | Depreciation Expense | 59,490 | 59,530 |
| 408 | Taxes Other Than Income | N/A | N/A |
| 408.11 | Property Taxes | 3,275 | 2,927 |
| 409 | Income Tax | N/A | N/A |
| | TOTAL OPERATING EXPENSES | \$97,037 | \$93,938 |
| | | | |
| | OPERATING INCOME/(LOSS) | \$-63,827 | \$-57,112 |
| | | | |
| | OTHER INCOME/(EXPENSE) | | |
| 419 | Interest and Dividend Income | \$1,553 | \$2,029 |
| 421 | Non-Utility Income | 9,000 | 9,000 |
| 426 | Miscellaneous Non-Utility Expenses | N/A | N/A |
| 427 | Interest Expense | -223 | -334 |
| | TOTAL OTHER INCOME/(EXPENSE) | \$10,330 | \$10,695 |
| | | | |
| | NET INCOME/(LOSS) | \$-53,497 | \$-46,417 |

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

| | LOAN #1 | LOAN #2 | LOAN #3 | LOAN #4 |
|------------------------|----------------|----------------|----------------|----------------|
| Date Issued | N/A | N/A | N/A | N/A |
| Source of Loan | N/A | N/A | N/A | N/A |
| ACC Decision No. | N/A | N/A | N/A | N/A |
| Reason for Loan | N/A | N/A | N/A | N/A |
| Dollar Amount Issued | \$N/A | \$N/A | \$N/A | \$N/A |
| Amount Outstanding | \$N/A | \$N/A | \$N/A | \$N/A |
| Date of Maturity | N/A | N/A | N/A | N/A |
| Interest Rate | N/A% | N/A% | N/A% | N/A% |
| Current Year Interest | \$N/A | \$N/A | \$N/A | \$N/A |
| Current Year Principle | \$N/A | \$N/A | \$N/A | \$N/A |

Meter Deposit Balance at Test Year End

\$N/A

Meter Deposits Refunded During the Test Year

\$N/A

COMPANY NAME: RINCON WATER COMPANY

WATER COMPANY PLANT DESCRIPTION

WELLS

| ADWR ID Number* | Pump Horsepower | Pump Yield (gpm) | Casing Depth (Feet) | Casing Diameter (Inches) | Meter Size (inches) | Year Drilled |
|----------------------------|----------------------------|-----------------------------|------------------------------------|---|--------------------------------|-------------------------|
| 607531 | 15 | 1550 | 280 | 12 | 4 | 1982 |
| 607532 | Capped | N/A | N/A | N/A | N/A | N/A |
| 607533 | 5 | 40 | 101 | 24 | 2 | 1982 |
| | | | | | | |
| | | | | | | |
| | | | | | | |

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

| Name or Description | Capacity (gpm) | Gallons Purchased or Obtained (in thousands) |
|----------------------------|---------------------------|---|
| N/A | | |
| | | |

| BOOSTER PUMPS | | FIRE HYDRANTS | |
|----------------------|-----------------|--------------------------|-----------------------|
| Horsepower | Quantity | Quantity Standard | Quantity Other |
| 40 | 1 | 20 | |
| 30 | 2 | | |
| 60 | 1 | | |
| | | | |

| STORAGE TANKS | | PRESSURE TANKS | |
|----------------------|-----------------|-----------------------|-----------------|
| Capacity | Quantity | Capacity | Quantity |
| 186,000 | 1 | 5,000 | 1 |
| 20,000 | 1 | | |
| 140,000 | 1 | | |
| | | | |

See accountants' compilation report.

COMPANY NAME: RINCON WATER COMPANY

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

| Size (in inches) | Material | Length (in feet) |
|------------------|----------|------------------|
| 2 | PVC | 1,000 |
| 3 | N/A | N/A |
| 4 | PVC | 6,100 |
| 5 | N/A | N/A |
| 6 | Transite | 40,900 |
| 8 | N/A | N/A |
| 10 | N/A | N/A |
| 12 | N/A | N/A |
| 6 | PVC | 33,033 |
| 8 | PVC | 2,377 |
| | | |
| | | |
| | | |

CUSTOMER METERS

| Size (in inches) | Quantity |
|------------------|----------|
| 5/8 X 3/4 | N/A |
| 3/4 | N/A |
| 1 | 52 |
| 1 1/2 | N/A |
| 2 | N/A |
| Comp. 3 | N/A |
| Turbo 3 | N/A |
| Comp. 4 | N/A |
| Tubo 4 | N/A |
| Comp. 6 | N/A |
| Tubo 6 | N/A |
| | |
| | |
| | |

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

____ NONE _____

STRUCTURES:

Water plant with 2 buildings and a pond all located in a fenced site

OTHER:

____ N/A _____

See accountants' compilation report.

COMPANY NAME: RINCON WATER COMPANY

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

| MONTH | NUMBER OF CUSTOMERS | GALLONS SOLD | GALLON PUMPED (Thousands) |
|-----------|---------------------|--------------|---------------------------|
| JANUARY | 40 | 229,180 | 359,000 |
| FEBRUARY | 42 | 216,470 | 481,000 |
| MARCH | 43 | 278,710 | 454,000 |
| APRIL | 43 | 381,640 | 556,000 |
| MAY | 45 | 481,530 | 584,000 |
| JUNE | 46 | 528,630 | 805,000 |
| JULY | 47 | 664,560 | 1,000,000 |
| AUGUST | 48 | 436,960 | 800,000 |
| SEPTEMBER | 50 | 540,140 | 781,000 |
| OCTOBER | 50 | 473,630 | 591,000 |
| NOVEMBER | 52 | 475,980 | 555,000 |
| DECEMBER | 52 | 404,030 | 539,000 |
| TOTAL | | 5,111,460 | 7,505,000 |

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☒ Yes ☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☐ Yes ☒ No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. 0.0076 mg/l
(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME RINCON WATER COMPAY YEAR ENDING 12/31/2005

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2005 was: \$ 3,101

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

| Prop desc | Amount | |
|----------------|----------------|--------------------|
| 922 32 0006 | 904.27 | Operating property |
| 205 85 009C6 | 17.58 | capped well |
| 205 85 004U7 | 263.57 | lot 76 |
| 205 85 004R3 | 11.26 | portion 76 |
| 205 85 00301 | 211.06 | well site |
| 205 84 01400 | 57.24 | storage |
| 205 77 006C4 | 17.58 | green tank |
| 205 64 72008 | 8.37 | mcr |
| Check # | 1490.93 | |

1468
005
20
of your
the same
original

5002/02/01 10/20/2005
667004120

29

RINCON WATER CO., INC.
MC 70, BOX 3501 PH. 520-624-1671
SAHUARITA, AZ 85629

8-2118
1221
14335039

1765

10-14-05

Pima County Treasurer

\$ 1490.93

Fourteen hundred ninety and 93/100

BANK ONE.

same as attached

Ron Hartman

1221000241 143350391765

41:1221000241:143350391765

0000149093

140465488 OCT 21 #0000001765 \$1,490.93

| | |
|---------------------|----------------|
| 922 32 0006 | 1069.43 |
| 205 85 004U7 | 265.49 |
| 205 85 00301 | 216.10 |
| 205 84 01400 | 58.61 |
| Check # 1710 | 1609.63 |

RINCON WATER CO., INC.
 HC 70, BOX 3601 PH. 520-624-1671
 SAHUARITA, AZ 85629

91-2118
 1221
 14335039

1710

DATE 3-16-05

Pima County Treasurer
 \$ 1609.63
 Sixteen hundred and 63/100 Dollars

BANK ONE.

Bank One, NA
 Phoenix, Arizona 85017
 www.bankone.com

is attached

Karen Hartwell

12221000241

14335039 1710

0000160963

008740687396 MAR 21 #0000001710 \$1,609.63

RECEIVED

VERIFICATION
AND
SWORN STATEMENT
Taxes

MAR 13 2006

Z Corporation Commissio
Director of Utilities

VERIFICATION

STATE OF _____

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)

PIMA

NAME (OWNER OR OFFICIAL) TITLE

KAREN HARTWELL, PRESIDENT

COMPANY NAME

RINCON WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

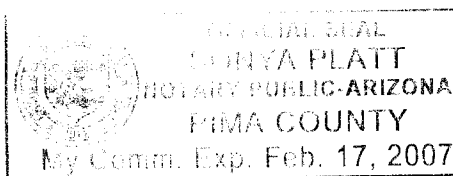
| MONTH | DAY | YEAR |
|-------|-----|------|
| 12 | 31 | 2005 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



Karen Hartwell
SIGNATURE OF OWNER OR OFFICIAL

(520) 625-1671

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

9th

DAY OF March, 2006

COUNTY NAME

Pima

MONTH

March

2006

(SEAL)

MY COMMISSION EXPIRES

Feb 17, 2007

Sonya Platt
SIGNATURE OF NOTARY PUBLIC

See accountants' compilation report.

COMPANY NAME RINCON WATER COMANY YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported 0
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported 0
Estimated or Actual State Tax Liability 0

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 0
Amount of Gross-Up Tax Collected 0
Total Grossed-Up Contributions/Advances 0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Karen Hartwell
SIGNATURE

3-9-06
DATE

Karen Hartwell
PRINTED NAME

President
TITLE

RECEIVED

MAR 13 2006

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

Z Corporation Commissic
Director of Utilities

VERIFICATION

STATE OF _____

I, THE UNDERSIGNED

OF THE

| |
|--------------------------------|
| COUNTY OF (COUNTY NAME) |
| PIMA |
| NAME (OWNER OR OFFICIAL) TITLE |
| KAREN HARTWELL, PRESIDENT |
| COMPANY NAME |
| RINCON WATER COMPANY |

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

| | | |
|-------|-----|------|
| MONTH | DAY | YEAR |
| 12 | 31 | 2005 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 39,161

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 2,335
IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

Karen Hartwell
SIGNATURE OF OWNER OR OFFICIAL
(520) 625-1671
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

9th

DAY OF

| | |
|-------------|-------|
| COUNTY NAME | Pima |
| MONTH | march |
| YEAR | 2006 |

MY COMMISSION EXPIRES

PLATT
JULIO-ARIZONA
COUNTY
FEB 17 2007

See accountants' compilation report.

Sonya Platt
SIGNATURE OF NOTARY PUBLIC

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

RECEIVED

MAR 13 2006

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

| | |
|--|------------------------|
| COUNTY OF (COUNTY NAME) PIMA | |
| NAME (OWNER OR OFFICIAL) KAREN HARTWELL | TITLE PRESIDENT |
| COMPANY NAME RINCON WATER COMPANY | |

| | | |
|-------|-----|------|
| MONTH | DAY | YEAR |
| 12 | 31 | 2005 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 39,161

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 2,335
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

Karen Hartwell
SIGNATURE OF OWNER OR OFFICIAL

(520) 625-1671

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

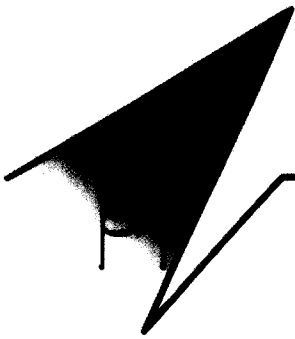
THIS 9 DAY OF

(SEAL)
NOTARY SEAL
SONYA PLATT
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
MY COMMISSION EXPIRES 2007

| | |
|--|--------------|
| NOTARY PUBLIC NAME Sonya Platt | |
| COUNTY NAME Pima | |
| MONTH March | 20 <u>06</u> |

X Sonya Platt
SIGNATURE OF NOTARY PUBLIC

See accountants' compilation report.



Ludwig, Schacht & Klewer, PLLC

certified public accountants & consultants

Christopher Wm. Ludwig
Wendy G. Schacht
Julie S. Klewer

ACCOUNTANTS' COMPILATION REPORT

Rincon Water Company
Sahuarita, Arizona

We have compiled the annual report to the Arizona Corporation Commission, Utilities Division, for the year ended December 31, 2005 for Rincon Water Company included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission, Utilities Division, information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

The financial and statistical information, including other disclosures, are presented in accordance with the requirements of the Arizona Corporation Commission, Utilities Division, which differ from generally accepted accounting principles. Accordingly, the financial statements are not designed for those who are not informed about such differences.

Ludwig, Schacht & Klewer, PLLC

February 13, 2006